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Programme and of the
United Nations Population Fund**

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Budget estimates for the biennium 2006-2007

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Administrator on the UNDP budget estimates for the biennium 2006-2007 (DP/2005/31). During its consideration of the item, the Advisory Committee met with the Associate Administrator and other representatives, who provided additional information and clarification.

Format and presentation

2. The Advisory Committee welcomes the changes in the presentation, including the submission of an organizational chart indicating the number of posts in each unit at headquarters and in the field (see annex 3, DP/2005/31), and of action taken to reflect implementation of the recommendations made by the Committee in its report on the support budget for 2004-2005 (DP/2003/29, paragraphs 2 and 3), as approved by the Executive Board (see annex 4, DP/2005/31).

3. The Committee believes that there is room for further improvement in order to streamline the presentation, avoid repetition, and promote greater clarity and transparency. In addition, in future, better justification and rationale on proposals for new posts or reclassifications should be provided in the related narratives.

4. It emerges from paragraph 85 of the budget document (DP/2005/31) that UNDP, in close collaboration with UNFPA and UNICEF, intends to present an aligned, results-based biennial support budget for 2008-2009.



5. The Committee recommends that the process of harmonization towards implementing results-based budgeting for the next biennium, 2008-2009, be given high priority and trusts that UNDP, UNFPA and UNICEF will take into account lessons learned by United Nations entities that have already implemented results-based budgeting. In addition, the existing knowledge of the United Nations Department of Management and the Department of Peacekeeping Operations could be utilized in drawing up such comprehensive framework. The submission of the budget estimates for 2008-2009 will provide an opportunity to improve the presentation.

6. The Committee notes that the proposed support budget for 2006-2007 continues to consolidate the operational and programmatic reforms undertaken by UNDP, starting with the implementation of the 2002-2003 business plans and the 2004-2007 multi-year funding framework (MYFF). The budget proposals are guided by the four conceptual pillars of the MYFF listed in paragraph 38 of the budget document. Specifically, the strategic priorities to be supported in the budget are as follows:

- (a) Strengthening UNDP leadership and central role in the United Nations development and resident coordinator system (the reform agenda of the Secretary-General being the prime driving force behind the proposed budget);
- (b) Enhancing organizational capacity, efficiency, performance, accountability and results;
- (c) Maximizing the use of available resources towards programme activities by cost containment and improving the proportionate share between regular and other resources of UNDP organizational capacities; and
- (d) Commitment to support programme countries in achieving the Millennium Development Goals (MDGs) by strengthening advocacy and outreach (see also DP/2005/31, paragraph 8).

7. The Committee was informed that the 2006-2007 budget is presented in an overall financial context where both regular and other resources are steadily growing. Total income for UNDP and its associated funds and programmes – the United Nations Capital Development Fund (UNCDF), the United Nations Development Fund for Women (UNIFEM) and the United Nations Volunteers programme (UNV) – amounted to \$4.1 billion in 2004. Regular resources grew for the fourth consecutive year, reaching \$842 million in 2004 (a 9.4 per cent increase over the level achieved in 2003). Other resources reached almost \$3 billion in 2004 (a 37 per cent increase over the level achieved in 2003). Exchange rate fluctuations also continued to have a positive effect in 2004, accounting for the two thirds of overall regular resources increase, with one third of the increase reflecting real growth.

8. The Committee notes from table 1 of the budget document (DP/2005/31) that regular resources are estimated to increase from \$1 700 million in 2004-2005 to \$1 900 million in 2006-2007, while contributions from other resources (donor co-financing) are estimated to increase from \$1 807 million in 2004-2005 to \$3 000 million for 2006-2007. The Committee also notes that other resources provided by host Governments (i.e., Government cost sharing) are likely to increase from \$2 100 million in 2004-2005 to \$2 600 million for

2006-2007. Thus, total overall contributions to UNDP are projected to increase from \$5 607 million in 2004-2005 to \$7 500 million for 2006-2007.

9. The Committee trusts that UNDP will continue to accord priority attention to its fundraising activities so as to increase resources available for programmes.

10. It is evident from table 1 of the report on the resource plan of UNDP (Use of resources – programme and support activities) that, for 2006-2007, the expenditure on programmes is projected to be 70.7 per cent of the total regular resources, as compared to 72.2 per cent for 2004-2005; the balance being spent on management and administration and programme support costs related to country offices and headquarters. In the case of other resources (donor co-financing), the expenditure on programmes for 2006-2007 is estimated to be 93.5 per cent, as compared to 92.3 per cent for 2004-2005.

11. While the Committee notes that there has been some improvement in channelling more funds to programmes in ‘other resources’, it is of the opinion that further effort is needed to reduce expenditure on programme support and administration and management in respect of regular resources, so as to allocate more resources for programmes.

12. The proposed budget for 2006-2007 further advances the process, initiated in the 2004-2005 budget, of rationalizing the funding modalities of UNDP operational structures to align them with a multi-funded approach. The process involves the identification of a base structure fully funded from regular resources and funding all other requirements proportionally from regular and other resources.

13. While the 2004-2005 budget introduced the base structure concept at headquarters and in country offices, the 2006-2007 budget further reviews the base structure of headquarters. Consequently, a total amount of \$11.3 million related to operational costs is shifted from regular to other resources (\$9.9 million relates to headquarters, the balance of \$1.4 million being shifted to the country level) (paragraph 44, DP/2005/31).

14. The base structure for country offices is likely to be refined in 2006-2007 based on the outcome of discussions on strengthening country directors and also on funding modality for deputy special representatives of the Secretary-General. Therefore, the Administrator is recommending further refinement at headquarters and at the country level in the context of 2008-2009 budget proposals.

II. Biennial support budget for 2006-2007

15. As indicated in table 3 of document DP/2005/31, the proposed support budget for 2006-2007 amounts to \$729 million gross, reflecting an increase of \$95.4 million, as compared with support budget estimates for 2004-2005 of \$633.6 million. After applying the projected income of \$71.2 million to the gross appropriations, the net proposed support budget for 2006-2007 amounts to \$657.8 million, reflecting an increase of \$94.5 million. This compares to net support budget estimates for 2004-2005 of \$563.3 million, based on a

projected income of \$70.3 million to the support budget for the same period. The main areas of increase/decrease are shown in table 2 and summarized in paragraphs 35-37 of the budget document (DP/2005/31).

16. The Committee further notes that, with the exclusion of the support budget requirements for UNCDF – which have been mainstreamed into UNDP regular resources in accordance with the Executive Board decision 2005/5 (see paragraph 21 below) – the budget presented would have constituted zero net real growth. Cost increases, amounting to \$86 million, are mainly due to inflationary factors compounded by the weakening of the United States dollar. As indicated in paragraph 20 of the budget document (DP/2005/31), total investments of approximately \$16 million, principally at the country level, are funded from real reduction and funding redeployments. These are related to the priority areas for 2006-2007 mentioned in paragraph 4 above, as well as to initiatives embarked upon in 2004-2005 (see also paragraph 18, DP/2005/31).

17. As indicated in tables 4 and 5 of document DP/2005/31, the total number of proposed posts for 2006-2007 is 3 286 (640 international professional, 615 national professional and 2 034 general service and other categories of staff), taking into account the mainstreaming of 22 posts from UNCDF.

18. The proposed number of posts reflects a net reduction of 17 posts (an increase of 23 international professional offset by a decrease of two national professional and 38 general service and other categories of staff), as compared with the 3 306 approved posts for 2004-2005 (617 international professional, 617 national professional and 2 072 general service and other categories of staff).

19. For 2006-2007, 81.9 per cent of the total number of posts is proposed for country offices; 11.6 per cent for headquarters; 5.7 per cent for UNV; 0.7 per cent for UNCDF and 0.1 per cent for the Inter-Agency Procurement Services Office.

20. Information on proposed changes to regular budget post requirements and reclassifications is provided in summary table 4 of the budget document (DP/2005/31). The Committee has made comments in the past regarding the upward reclassification of posts of funds and programmes, particularly at the senior level. Upon enquiry, the Committee was informed that of the 22 posts reclassified in the context of the 2004-2005 regular support budget at the D-1 and D-2 levels, only four were filled by promotion. The Committee was provided with a consolidated list of 22 professional regular support budget posts proposed for reclassification for 2006-2007 (see annex 1, below).

21. The Committee notes that UNDP is proposing net upward reclassification of two senior-level international professional posts from the D-1 to the D-2 level in the Bureau for Development Policy (paragraph 70), and one net downward reclassification from the D-1 to the P-5 level. The Committee further notes that in line with the new job evaluation system in the common system for professional and higher categories, new factors have been introduced to reflect emerging organizational priorities (results, impact of work and client orientation). Jobs are no longer evaluated on the basis of processes and activities, but primarily by reference to their role within the organization and the specific value they add to its programmes.

22. **The Committee recommends that the Executive Board bear in mind the earlier recommendation of the Advisory Committee that proposals for upward reclassification of posts in funds and programmes of the United Nations, particularly at the D-1 and D-2 levels, should be submitted only as a result of significant changes in the level and scope of responsibilities involved.**

23. A list of the new international professional posts proposed for 2006-2007 was provided to the Committee (see annex 2, below).

24. **Although the Committee recognizes that the staffing component should be viewed in its totality, including the national staff component, the Committee is of the opinion that efforts should be made to hire qualified, skilled professional staff at the entry levels so as to ensure rejuvenation of the organization.**

25. An amount of \$5.6 million is included in the support budget in order to strengthen the resident coordinator system. At the country level, UNDP is proposing to appoint country directors to run the day-to-day programmes, giving more freedom to the resident coordinator to play the significant role required in a number of UNDP offices (paragraphs 55 and 108, DP/2005/31).

26. At headquarters, the United Nations Development Group Office would be strengthened by increasing staffing by one international professional and one support staff (from 10 posts to 12), to be funded from regular resources (ibid, paragraph 105). The costs associated with this initiative amount to \$57 million, covering the period from July 2005 to December 2007, as indicated by the Administrator in his letter to the Executive Board dated 8 February 2005.

27. However, the Committee notes that the Administrator has requested the support of donors to fund 40 country directors from extrabudgetary resources, while UNDP would fund seven of these posts from regular resources that were included in the 2006-2007 budget estimates (\$4.5 million). The entire cost would be mainstreamed into the 2008-2009 budget.

28. Paragraph 112 indicates that agreement is being finalized to adopt a cost-sharing formula to be used by UNDP and the United Nations Department of Peacekeeping Operations in cases where the resident coordinator also acts as the Deputy Special Representative of the Secretary-General, and that full implementation may result in further cost implications. Upon enquiry, the Committee was informed that agreement had been reached on a 50/50 funding modality of such posts by both entities, and that the terms of reference were being drafted. A memorandum of understanding would be signed shortly.

29. The Committee notes that the integrated mission operation has not yet been achieved.

30. **The Committee trusts that UNDP and the Department of Peacekeeping Operations will enhance cooperation and coordination at the field level so as to avoid fragmented functionalities at the country level where peacekeeping missions operate. It is the opinion of the Committee that cooperation and coordination should also be effective and enhanced at the managerial and operational levels at headquarters.**

31. In line with the strategy for 2006-2007 outlined in paragraph 4 above, an amount of \$4.0 million is proposed in order to strengthen advocacy and outreach activities at the country and regional levels in order to promote better understanding of the MDGs.

32. The Committee notes that the resources proposed in the budget document cover seven international regional advisors and related operating expenses (see paragraphs 59-60, DP/2005/31). As to the initiatives and further investments towards enhancing organizational capacity, efficiency, performance, accountability and results, the Committee notes the consolidation of capacity into regional centers, allowing better service to country offices. A provision of \$2.2 million for a global payroll function should allow country offices to shift related functions and achieve efficiency gains (ibid, paragraph 86). Provision of \$1.1 million is also included to reform and strengthen the internal justice and grievance system in UNDP (see paragraphs 18 and 81, DP/2005/31).

33. The support budget provides for further implementation of the core modules of Atlas, with additional modules to be phased in as part of the wave II rollout; additional investment of \$1.9 million from regular resources over the base in information and communications technology budget is indicated in paragraph 18.

34. In that connection, the Committee notes that the resources for information and communications technology-related costs amount to \$42.2 million for 2006-2007 (see table 8, DP/2005/31), including an amount of \$1.9 million for systems development and engineering and \$26 million for maintenance services, including maintenance of the services not yet replaced by Atlas.

35. Given the fact that considerable expenditure has been incurred on state-of-the-art technology, the Committee expects to see tangible results in efficiency gains and savings related to both post and non-post resources.

36. Table 12 of the budget document presents the consolidated security budget for UNDP for 2006-2007, which amounts to \$55.7 million, reflecting an increase of \$25.3 million compared to the appropriations approved for 2004-2005. These are broken up into three sections. first, the United Nations-mandated security costs, which amount to \$41.2 million gross, emanating from the decisions contained in the relevant General Assembly resolutions regarding the UNDP share of United Nations security costs.

37. UNDP, in agreement with UNFPA, has decided to move these costs out of the budget and present them as a distinct requirement so as not to distort the budget with costs that are not necessarily operational in nature. However (as indicated in paragraph 137 of the budget document), in line with the gradual proportionality strategy, an estimated \$10 million of the requirements will be covered by other resources funding, thus reflecting the balance of \$31.2 million in a distinct line, as a separate requirement from regular resources outside the support budget.

38. Second, direct security costs – which continue to be an integral part of the support budget – amount to \$14.4 million, reflecting an increase of \$7.5 million over the 2004-2005 related resources, as shown in table 12 and

explained in paragraph 138 of the budget document (DP/2005/31). Third, the special security reserve, which included a provision of up to \$11.5 million under the 2004-2005 budget, after the Baghdad attack, is to be discontinued for 2006-2007.

39. In this connection, the Advisory Committee points to the comments on the need for integration, coordination, and rationalization of the security management system in order to avoid previous duplications of security structures (see the Advisory Committee report on the strengthened and unified security management system for the United Nations, A/59/539).

III. The United Nations Capital Development Fund

40. As indicated in paragraph 10 above, the administrative costs of UNCDF have been mainstreamed into the UNDP biennial support budget for 2006-2007 and are reported therein, as called for in Executive Board decisions DP/2005/5 and DP/2005/22.

41. The support budget for UNCDF is built on these decisions and on the business plans for 2005-2007 (DP/2005/22). Information is provided in paragraphs 120-126 of the budget document (DP/2005/31). As indicated in paragraph 121, UNCDF undertook a change management process and revised its organizational structure and staffing arrangements in order to position itself adequately for delivering on its mandate.

42. Moreover, the 2004-2005 resource plan was revised to better reflect current levels of planned contributions and uses of programme resources for regular and other resources. Thus, planned contributions were reduced from \$60 million to \$35 million (42 per cent) and planned use of programme resources revised from \$50 million to \$30 million (40 per cent).

43. As shown in table 10, the UNCDF biennial support budget for 2006-2007 amounts to \$10 million, compared to \$14.4 million in 2004-2005. The total number of positions decreased from 32 posts to 22.

IV. The United Nations Development Fund for Women

44. The budget estimates of UNIFEM have been harmonized with those of UNDP, using the same terminology and methodology as that of the UNDP support budget. The resource plan is shown in table 13 of the budget report.

45. The Committee notes that income projection for 2006-2007, for both regular and other resources, amount to \$104.1 million compared to an income level of \$83.3 million for 2004-2005. Regular resources, as shown in table 13, are projected to increase by 15 per cent compared to 2004-2005.

46. The proposed biennial support budget for UNIFEM for 2006-2007 amounts to \$16.4 million, or 28.9 per cent of its income projection for regular resources for 2006-2007 of \$56.8 million, funding 37 positions. It reflects an

increase of 10.1 per cent compared to the 2004-2005 support budget, which amounts to \$14.9 million, or 30.2 percent of the income projected for regular resources of \$49.4 million; funding 36 positions (see also summary tables 7 (a) and 7 (b), DP/2005/31).

47. It is evident from table 13 of the UNIFEM resource plan (Use of resources – programme and support activities) that expenditure on programmes for 2006-2007 is projected to be 72.6 per cent of the total regular resources, as compared to 73 per cent in 2004-2005; the balance being spent on management and administration and programme support costs. In the case of other resources, the expenditure for 2006-2007 is estimated to be 92 per cent on programmes, as compared to 90 per cent for 2004-2005.

48. **While the Committee notes that there has been some improvement in channelling more funds to programmes in other resources, it is of the opinion that more effort is needed to reduce expenditure on programme support and administration and management in respect of regular resources so as to increase resources available for programmes.**

Annex 1

UNDP regular support budget, 2006-2007 – overview of proposed reclassifications

#	Grade	Title
1	D-2	Director, HIV/AIDS practice group, UNDP/Bureau for Development Policy
2	D-2	Director, Poverty practice group, UNDP/Bureau for Development Policy
3	D-1	Deputy Director, Regional Centre, UNDP/Bangkok
4	D-1	Deputy Director, UNDP/Communications Office of the Administrator
5	D-1	Civil Society Director, UNDP/Bureau for Resources and Strategic Partnerships
6	P-5	Chief, Oversight and Support Centre, UNDP/Regional Bureau for Latin America and the Caribbean
7	P-5	Policy Advisor, UNDP/Bureau for Development Policy
8	P-5	Information Management Specialist, UNDP/Special Unit for South-South Cooperation
9	P-5	Production Services Advisor, UNDP/Bureau of Management
10	P-5	Chief, Information Technology and Systems, UNV/Bonn
11	P-5	Human Resources Advisor, UNV/Bonn
12	P-4	Deputy Resident Representative – Operations, UNDP/Rwanda
13	P-4	Programme Specialist, UNDP/Regional Bureau for Asia and the Pacific
14	P-4	Policy Specialist, UNDP/Bureau for Development Policy
15	P-4	Finance Specialist, UNDP/Bureau of Management
16	P-3	Administrative Specialist, UNDP/Evaluation Office
17	P-3	Policy Specialist, UNDP/Bureau of Management
18	P-3	Budget Specialist, UNDP/Bureau of Management
19	P-3	Budget Specialist, UNDP/Bureau of Management
20	P-2	Administrative Analyst, UNDP/Bureau for Crisis Prevention and Recovery
21	P-2	Programme Analyst, UNDP/Evaluation Office
22	P-2	Budget Analyst, UNDP/Bureau of Management

Annex 2

Proposed changes in regular resource post requirements 2006-2007
(international professional category and above)

Organizational unit	Description of new posts	Level	Post increase	Post decrease	Net increase/ (decrease)
A. Programme support					
1. Country office					
UNDP Burundi	Country director	D-1	1	-	1
UNDP Sierra Leone	Country director	D-1	1	-	1
UNDP Sudan	Country director	D-1	1	-	1
UNDP Afghanistan	Country director	D-2	1	-	1
UNDP Timor-Leste	Country director	D-1	1	-	1
UNDP Haiti	Country director	D-1	1	-	1
UNDP Kosovo	Country director	D-1	1	-	1
UNDP Peru	Deputy resident representative	P-5	-	(1)	(1)
UNDP South Africa	Regional advisor on advocacy and outreach	P-4	1	-	1
UNDP Senegal	Regional Advisor on advocacy and outreach	P-4	1	-	1
UNDP Lebanon	Regional Advisor on advocacy and outreach	P-4	1	-	1
UNDP Sri Lanka	Regional Advisor on advocacy and outreach	P-4	1	-	1
UNDP Thailand	Regional Advisor on advocacy and outreach	P-4	1	-	1
UNDP Panama	Regional Advisor on advocacy and outreach	P-4	1	-	1
UNDP Bratislava	Regional Advisor on advocacy and outreach	P-4	1	-	1
UNDP New York	Field security advisor (roving)	P-4	1	-	1
UNDP New York	Field security advisor (roving)	P-4	1	-	1
Total programme support country offices (net)			16	(1)	15
2. Headquarters					
Operations Support Group	Management advisor	P-5	-	(1)	(1)
Bureau for Crisis Prevention and Recovery	Advisor	P-5	-	(1)	(1)
Regional Bureau for Africa	Programme specialist	P-5	-	(1)	(1)
Regional Bureau for Africa	Programme specialist	P-4	-	(1)	(1)
Regional Bureau for Asia and the Pacific	Programme analyst	P-3	-	(1)	(1)
Regional Bureau for Latin America and the Caribbean	Programme specialist	P-4	1	-	1
Bureau for Development Policy	Policy advisor	D-1	-	(1)	(1)
Bureau for Development Policy	Policy advisor	P-5	4	-	4
Bureau for Development Policy	Policy advisor	P-4	-	(1)	(1)
Bureau for Development Policy	Policy advisor	P-3	-	(5)	(5)
Bureau for Development Policy	Policy advisor	P-2	1	-	1
Total programme support headquarters (net)			6	(12)	(6)
Total programme support			22	(13)	9

Organizational unit	Description of new posts	Level	Post increase	Post decrease	Net increase/(decrease)
B. Management and administration					
Office of the Administrator/Associate Administrator	Senior advisor, administration of justice	D-1	1	-	1
Office of the Administrator/Associate Administrator	Legal office, administration of justice	P-4	1	-	1
Communications Office of the Administrator	Communications analyst	P-2	-	(1)	(1)
Bureau for Resources and Strategic Partnerships	Programme advisor	P-5	-	(1)	(1)
Bureau for Resources and Strategic Partnerships	External relations specialist	P-4	-	(1)	(1)
Bureau of Management	Director	D-1	-	(1)	(1)
Bureau of Management	Planning advisor	P-5	-	(1)	(1)
Bureau of Management	Systems advisor	P-4	-	(1)	(1)
Bureau of Management	Systems specialist	P-3	-	(1)	(1)
Bureau of Management	Contributions analyst	P-2	-	(1)	(1)
Total management and administration (net)			2	(6)	(4)
C. Support to operational activities of the United Nations					
United Nations Development Group Office	Programme specialist	P-4	1	-	1
United Nations Volunteers	Administrative specialist	P-2	-	(1)	(1)
Total support to operational activities of the United Nations (net)			1	(1)	-
D. United Nations Capital Development Fund (UNCDF)					
	Executive secretary	D-2	1	-	1
	Deputy executive secretary	D-1	1	-	1
	Director, microfinance	D-1	1	-	1
	Director, local development	D-1	1	-	1
	Advisors (business development)	P-5	1	-	1
	Advisors (programme)	P-5	3	-	3
	Advisors (operations division)	P-5	1	-	1
	Advisor (evaluation)	P-5	1	-	1
	Communications specialist	P-4	1	-	1
	Finance analyst	P-4	1	-	1
	Finance analyst	P-2	1	-	1
Total UNCDF (net)			12	-	12
Total post increases/(decreases)			15	(6)	9